CNC HOLDINGS LIMITED

中 國 新 華 電 視 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8356)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of CNC Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- The Group's revenue for the six months ended 30 September 2014 increased by approximately 7.8% to approximately HK$156.8 million (2013: approximately HK$145.5 million).

- Loss attributable to owners of the Company for the six months ended 30 September 2014 decreased by approximately 27.5% to approximately HK$24.6 million (2013: approximately HK$33.9 million).

- Basic loss per Share for the six months ended 30 September 2014 was approximately HK0.97 cent (2013: approximately HK2.03 cents).

- The Board does not recommend the payment of any dividend for the six months ended 30 September 2014.

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2014, together with the unaudited comparative figures for the corresponding periods in 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 September 2014

		Six months ended 30 September		**Three months ended 30 September**	
		2014	2013	**2014**	2013
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
			(Restated)		(Restated)
Revenue	*3*	**156,838**	145,460	**88,933**	50,553
Cost of services		**(149,799)**	(134,910)	**(84,948)**	(46,193)
Gross profit		**7,039**	10,550	**3,985**	4,360
Other income	*4*	**4,061**	15	**2,375**	2
Other gains and losses	*5*	**9,752**	18,716	**9,289**	14,614
Amortisation expenses		**(11,334)**	(29,230)	**(5,658)**	(14,677)
Administrative expenses		**(16,537)**	(15,017)	**(9,185)**	(7,451)
(Loss)/profit from operations	*7*	**(7,019)**	(14,966)	**806**	(3,152)
Finance costs	*9*	**(19,169)**	(21,343)	**(9,734)**	(10,638)
Loss before income tax		**(26,188)**	(36,309)	**(8,928)**	(13,790)
Income tax	*10*	**1,571**	2,372	**604**	(16)
Loss for the period		**(24,617)**	(33,937)	**(8,324)**	(13,806)

	Notes	Six months ended 30 September **2014** *HK$'000*	Six months ended 30 September 2013 *HK$'000* (Restated)	Three months ended 30 September **2014** *HK$'000*	Three months ended 30 September 2013 *HK$'000* (Restated)
Other comprehensive income					
Items that may be classified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**87**	–	**83**	–
Other comprehensive income for the period, net of income tax		**87**	–	**83**	–
Total comprehensive loss for the period		**(24,530)**	(33,937)	**(8,241)**	(13,806)
Loss for the period attributable to owners of the Company		**(24,617)**	(33,937)	**(8,324)**	(13,806)
Total comprehensive loss for the period attributable to owners of the Company		**(24,530)**	(33,937)	**(8,241)**	(13,806)
Loss per Share attributable to owners of the Company	*12*				
– Basic and diluted *(HK cent(s))*		**(0.97)**	(2.03)	**(0.28)**	(0.82)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	Notes	**As at 30 September 2014 (Unaudited) *HK$'000***	As at 31 March 2014 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*13*	**44,821**	45,184
Goodwill		**–**	–
Intangible assets	*14*	**152,030**	163,040
Available-for-sale financial assets	*15*	**–**	400
		196,851	208,624
Current assets			
Inventories		**37,357**	14,955
Film rights		**120**	–
Trade and other receivables	*16*	**96,053**	77,804
Financial assets at fair value through profit or loss		**–**	10,485
Tax recoverable		**480**	480
Bank deposits		**20,000**	–
Cash and cash equivalents		**44,766**	20,609
		198,776	124,333
Total assets		**395,627**	332,957
Current liabilities			
Trade and other payables	*18*	**104,259**	107,063
Finance lease payables	*19*	**4,540**	3,345
Bank overdrafts, unsecured		**2,298**	–
Employee benefits		**2,295**	2,095
Promissory note	*20*	**–**	44,609
Convertible notes	*21*	**284,527**	543,234
Current tax liabilities		**7,388**	7,087
		405,307	707,433

	Notes	As at 30 September 2014 (Unaudited) HK$'000	As at 31 March 2014 (Audited) HK$'000
Net current liabilities		**(206,531)**	(583,100)
Total assets less current liabilities		**(9,680)**	(374,476)
Non-current liabilities			
Finance lease payables	*19*	**5,443**	4,037
Promissory note	*20*	**36,709**	–
Deferred tax liabilities		**27,554**	29,426
		69,706	33,463
Total liabilities		**475,013**	740,896
Net liabilities		**(79,386)**	(407,939)
Capital and reserves			
Share capital	*22*	**3,693**	1,980
Reserves		**(83,079)**	(409,919)
Total equity		**(79,386)**	(407,939)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2014

	Share capital	Share premium*	Convertible notes equity reserves*	Foreign currency translation reserves*	Other reserves*	Accumulated losses*	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2014	**1,980**	**795,912**	**15,663**	**45**	**9,868**	**(1,231,407)**	**(407,939)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(24,617)**	**(24,617)**
Other comprehensive income for the period, net of tax:							
Items that may be classified subsequently to profit or loss:							
Exchange differences on translating foreign operations	**–**	**–**	**–**	**87**	**–**	**–**	**87**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**87**	**–**	**(24,617)**	**(24,530)**
Issue of shares pursuant to the placing	**335**	**83,390**	**–**	**–**	**–**	**–**	**83,725**
Share placement expenses	**–**	**(2,118)**	**–**	**–**	**–**	**–**	**(2,118)**
Issue of shares pursuant to conversion of convertible notes	**1,378**	**277,829**	**(7,731)**	**–**	**–**	**–**	**271,476**
As at 30 September 2014 (unaudited)	**3,693**	**1,155,013**	**7,932**	**132**	**9,868**	**(1,256,024)**	**(79,386)**
As at 1 April 2013	1,674	735,089	17,381	–	9,868	(800,115)	(36,103)
Loss and total comprehensive loss for the period	–	–	–	–	–	(33,937)	(33,937)
As at 30 September 2013 (unaudited)	1,674	735,089	17,381	–	9,868	(834,052)	(70,040)

* The aggregate amount of these balances of approximately HK$83,079,000 in deficit (31 March 2014: approximately HK$409,919,000 in deficit) is included as reserves in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Net cash (used in)/generated from operating activities	**(11,036)**	9,087
Net cash used in investing activities	**(46,268)**	(25,364)
Net cash generated from/(used in) financing activities	**79,140**	(1,475)
Net increase/(decrease) in cash and cash equivalents	**21,836**	(17,752)
Cash and cash equivalents at the beginning of the period	**20,609**	36,229
Effects of foreign exchange rate changes	**23**	–
Cash and cash equivalents at the end of the period	**42,468**	18,477
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**44,766**	18,477
Bank overdrafts	**(2,298)**	–
	42,468	18,477

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 March 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The registered office and principal place of business of the Company are located at the offices of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Rooms 2601–2605, 26/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong respectively.

The Company's ordinary shares (the "Share(s)") were listed on GEM of the Stock Exchange on 30 August 2010 by way of placing.

The principal activity of the Company is investment holding. The subsidiaries are engaged in the provision of waterworks engineering services for the public sector in Hong Kong, television broadcasting business in the Asia-Pacific region (excluding the People's Republic of China (the "PRC")) in return for advertising and related revenue and large outdoor display screen advertisement business in the PRC.

2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2014 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting", other relevant Hong Kong Accounting Standards, Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the GEM Listing Rules.

The accounting policies and method of the computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual report for the year ended 31 March 2014. The Directors reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11 "Joint Arrangements". The Directors concluded that the Group's investments in jointly controlled entities under HKAS 31 during the three months and six months ended 30 September 2013 and were accounted for using the equity method, should be classified as joint operations under HKFRS 11.

As a result of the adoption of HKFRS 11, the change in accounting of the Group's investments in joint operations has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. Comparative amounts for 2013 have been restated to reflect the change in accounting for the Group's investments in joint operations.

The effect of the application of HKFRS 11 on the unaudited condensed consolidated interim financial statements for the three months and six months ended 30 September 2013 is as follows:

Impact on the results for the three months and six months ended 30 September 2013 by line items presented in the unaudited condensed consolidated statement of profit or loss and other comprehensive income is as follows:

	Six months ended 30 September 2013 (Unaudited) *HK$'000*	Three months ended 30 September 2013 (Unaudited) *HK$'000*
(Decrease)/increase in revenue	(489)	305
Decrease/(increase) in share of (loss)/profit of jointly controlled entities	408	(255)
Decrease/(increase) in income tax	81	(50)
Net change in loss for the period	–	–

There is no impact on loss per share.

Impact on condensed consolidated statement of cash flows for the six months ended 30 September 2013 is as follows:

	Six months ended 30 September 2013 (Unaudited) *HK$'000*
Increase in net cash inflow from operating activities	494
Increase in net cash outflow from investing activities	–
Increase in net cash inflow from financing activities	–
Net effect to cash and cash equivalents	494

The Group has adopted new or revised standards, amendments to standards and interpretation of Hong Kong Financial Reporting Standards which are effective for accounting period commencing on or after 1 April 2014. The adoption of such new or revised standards, amendments to standards and interpretation does not have material impact on the Interim Financial Statements and does not result in substantial changes to the Group's accounting policies.

The Interim Financial Statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

3. REVENUE

Revenue recognised during the three months and six months ended 30 September 2014 and 2013 were as follows:

	Six months ended 30 September		Three months ended 30 September	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Revenue				
Construction works	**152,910**	140,123	**86,797**	47,519
Advertising income	**3,928**	5,337	**2,136**	3,034
	156,838	145,460	**88,933**	50,553

4. OTHER INCOME

Other income recognised during the three months and six months ended 30 September 2014 and 2013 were as follows:

	Six months ended 30 September		Three months ended 30 September	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Interest income	**3**	14	**1**	2
Waiver of the interests on convertible notes and promissory note	**4,054**	–	**2,371**	–
Sundry income	**4**	1	**3**	–
	4,061	15	**2,375**	2

5. OTHER GAINS AND LOSSES

Other gains and losses recognised during the three months and six months ended 30 September 2014 and 2013 were as follows:

	Six months ended 30 September		**Three months ended 30 September**	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Exchange (loss)/gain, net	**(64)**	71	**(67)**	(9)
Gain arising on extension of promissory note	**8,708**	–	**8,708**	–
Net gains on disposal of property, plant and equipment	**924**	8	**447**	–
Realised gain/(loss) arising on change in fair value of financial assets at fair value through profit or loss	**184**	(1,596)	**201**	–
Unrealised gain arising on change in fair value of financial assets at fair value through profit or loss	**–**	20,233	**–**	14,623
	9,752	18,716	**9,289**	14,614

6. SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided are:

(i) Provision of waterworks engineering services – provision of waterworks engineering services, road works and drainage services and site formation works for public sector in Hong Kong;

(ii) Television broadcasting business – the business of broadcasting television programmes on television channels operated by television broadcasting companies in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue; and

(iii) Large outdoor display screen advertisement business – the business of broadcasting advertisements on large outdoor display screens in the PRC.

Each of these operating segments is managed separately as each of the products and service lines requires different resources as well as marketing approaches.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the six months ended 30 September 2014

	Provision of waterworks engineering services (Unaudited) *HK$'000*	**Television broadcasting business (Unaudited)** *HK$'000*	**Large outdoor display screen advertisement business (Unaudited)** *HK$'000*	**Elimination (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Revenue from external customers	**152,910**	**3,620**	**308**	**–**	**156,838**
Inter-segment sales	**–**	**788**	**–**	**(788)**	**–**
Other income and gains	**990**	**14**	**–**	**–**	**1,004**
Reportable segment revenue	**153,900**	**4,422**	**308**	**(788)**	**157,842**
Reportable segment results	**3,870**	**(13,583)**	**(1,882)**		**(11,595)**
Unallocated corporate income					**12,950**
Unallocated expenses					**(8,374)**
Finance costs					**(19,169)**
Loss before income tax					**(26,188)**

For the six months ended 30 September 2013 (Restated)

	Provision of waterworks engineering services (Unaudited) *HK$'000*	Television broadcasting business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue from external customers	140,123	5,337	145,460
Other income and gains	18	59	77
Reportable segment revenue	140,141	5,396	145,537
Reportable segment results	3,790	(28,358)	(24,568)
Unallocated corporate income			18,654
Unallocated expenses			(9,052)
Finance costs			(21,343)
Loss before income tax			(36,309)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 September 2013.

Segment profit/(loss) represents the profit earned/loss incurred by each segment without allocation of interest income, finance costs, gain arising on extension of promissory note, realised gain/(loss) arising on change in fair value of financial assets at fair value through profit or loss, unrealised gain arising on change in fair value of financial assets at fair value through profit or loss, waiver of interests on convertible notes and promissory note and income tax. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Information about major customers

During the six months ended 30 September 2014, included in revenue arising from provision of waterworks engineering services of approximately HK$152,910,000 (2013: approximately HK$140,123,000) are revenue generated from four (2013: three) customers amounting to approximately HK$152,910,000 (2013: approximately HK$125,903,000). Each customer has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the six months ended 30 September 2014 and 2013.

Revenue from major customers is as follows:

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Customer A	**84,224**	25,833
Customer B	**25,134**	5,444
Customer C	**21,988**	75,654
Customer D	**21,564**	8,776
Customer E	**–**	24,416
	152,910	140,123

7. (LOSS) / PROFIT FROM OPERATIONS

(Loss) / profit from operations is arrived at after charging the following:

	Six months ended 30 September		**Three months ended 30 September**	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amortisation of intangible assets (included in amortisation expenses)	**11,010**	29,195	**5,535**	14,677
Amortisation of film rights (included in amortisation expenses)	**324**	35	**123**	–
Contract costs recognised as expense	**143,071**	130,837	**81,554**	44,404
Depreciation of property, plant and equipment	**8,961**	6,709	**4,514**	3,377
Staff costs *(note 8)*	**39,704**	31,698	**24,939**	15,943

8. STAFF COSTS

	Six months ended 30 September		**Three months ended 30 September**	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Staff costs (including Directors' remuneration) comprise:				
Wages, salaries and other benefits	**38,376**	30,800	**24,171**	15,622
Contribution to defined contribution retirement plan	**1,328**	898	**768**	321
	39,704	31,698	**24,939**	15,943

9. FINANCE COSTS

	Six months ended 30 September		Three months ended 30 September	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interests on:				
Finance leases payables	**166**	107	**87**	50
Borrowings wholly repayable within five years	**122**	5	**50**	–
Promissory note	**1,294**	1,255	**655**	633
Convertible notes	**17,587**	19,976	**8,942**	9,955
	19,169	21,343	**9,734**	10,638

10. INCOME TAX

The amount of income tax in the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 September		Three months ended 30 September	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Current tax – Hong Kong profits tax				
– current period	**356**	(68)	**435**	(221)
– over-provision in prior years	**(55)**	–	**(55)**	–
	301	(68)	**380**	(221)
Deferred tax				
– current period	**(1,872)**	(2,304)	**(984)**	237
Income tax	**(1,571)**	(2,372)	**(604)**	16

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits during each of the three months and six months ended 30 September 2014 and 2013.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Company and its subsidiaries incorporated in the BVI are not subject to any income tax in the Cayman Islands and the BVI respectively.

No provision for Macau profits tax has been made as the subsidiary incorporated in Macau has no assessable profit arising in Macau during each of three months and six months ended 30 September 2014 and 2013.

No provision for PRC Enterprise Income tax has been made as the subsidiary incorporated in the PRC has no assessable profits arising in the PRC during each of three months and six months ended 30 September 2014 and 2013.

11. DIVIDENDS

The Board does not recommend the payment of any dividend for each of the three months and six months ended 30 September 2014 respectively (2013: nil).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic loss per Share for the three months and six months ended 30 September 2014 is based on the unaudited consolidated loss of approximately HK$8,324,000 and approximately HK$24,617,000 attributable to owners of the Company for each of the three months and six months ended 30 September 2014 respectively (three months and six months ended 30 September 2013: approximately HK$13,806,000 and approximately HK$33,937,000 respectively) and the weighted average number of 2,973,186,771 Shares and 2,534,936,131 Shares in issue for the three months and six months ended 30 September 2014 respectively (weighted average number of Shares in issue for the three months and six months ended 30 September 2013: 1,674,735,664 Shares and 1,674,735,664 Shares respectively) as if they had been in issue throughout the periods.

Diluted loss per Share for the three months and six months ended 30 September 2014 and 2013 are not presented as the potential ordinary shares had an anti-dilutive effect on the basic loss per Share for the three months and six months ended 30 September 2014 and 2013.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK$8,974,000 (six months ended 30 September 2013: approximately HK$7,011,000). During the six months ended 30 September 2014, items of property, plant and equipment with carrying value of approximately HK$377,000 were disposed of (six months ended 30 September 2013: approximately HK$20,000).

14. INTANGIBLE ASSETS

	As at 30 September 2014 (Unaudited) *HK$'000*	As at 31 March 2014 (Audited) *HK$'000*
Cost		
At 1 April 2013, 31 March 2014, 1 April 2014 and 30 September 2014	**567,000**	567,000
Accumulated amortisation and impairment		
At beginning of period/year	**403,960**	76,419
Amortisation expenses for the period/year	**11,010**	58,232
Impairment loss recognised for the period/year	**–**	269,309
	414,970	403,960
Net carrying amount at end of period/year	**152,030**	163,040

Intangible assets represent television broadcasting right acquired by the Group. The useful life of television broadcasting right is 10 years.

As at 31 March 2014, due to deteriorating performance and continuous losses suffered in television broadcasting business, the Directors determined that there was a need for an impairment on the intangible assets arising from the acquisition of television broadcasting business as the recoverable amount of television broadcasting cash-generating unit based on the valuation report by an independent valuer was calculated to be lower than their aggregate carrying amounts. The recoverable amount of television broadcasting cash-generating unit has been determined on the basis of value in use calculation and is based on certain key assumptions. During the year ended 31 March 2014, the impairment loss of intangible assets recognised was approximately HK$269,309,000.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 September 2014 (Unaudited) *HK$'000*	As at 31 March 2014 (Audited) *HK$'000*
Available-for-sale financial assets comprise:		
Unlisted equity securities in Hong Kong	**–**	400
Analysed for reporting purposes as:		
Non-current assets	**–**	400

Unlisted equity securities represented the securities issued by a private entity incorporated in Hong Kong. The private entity is principally engaged in outdoor advertising in Hong Kong. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably.

During the six months ended 30 September 2014, the unlisted equity securities were disposed to an independent third party at a consideration of HK$400,000.

16. TRADE AND OTHER RECEIVABLES

	As at 30 September 2014 (Unaudited) ***HK$'000***	As at 31 March 2014 (Audited) *HK$'000*
Trade receivables *(note (i) & (iii))*	**4,585**	40,234
Allowance for doubtful debts	**–**	(9,469)
	4,585	30,765
Retention receivables *(note (ii) & (iii))*	**6,960**	5,974
Other receivables and prepayments *(note (iv))*	**31,024**	36,498
Amount due from a substantial shareholder *(note (v))*	**91**	91
Amounts due from customers for contract works *(note 17)*	**48,930**	–
Deposits	**4,463**	4,476
	96,053	77,804

Notes:

(i) Trade receivables as at the end of the reporting period mainly derived from provision of construction works on civil engineering contracts. The related customers are mainly government department/organisation and reputable corporations. The Group does not hold any collateral over these balances.

Included in trade and other receivables are trade receivables (net of impairment losses) with the following ageing analysis based on invoice date as at the end of the reporting period:

	As at 30 September 2014 (Unaudited) ***HK$'000***	As at 31 March 2014 (Audited) *HK$'000*
Current or less than 1 month	**3,794**	30,742
More than 1 month but less than 3 months	**374**	–
More than 3 months but less than 12 months	**417**	23
	4,585	30,765

The Group grants an average credit period of 30 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

Trade receivables disclosed above include amounts (see below for ageing analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	As at 30 September 2014 (Unaudited)	As at 31 March 2014 (Audited)
	HK$'000	*HK$'000*
Overdue by:		
1 – 30 days	**224**	–
30 – 60 days	**150**	–
60 – 90 days	**10**	–
90 – 120 days	**27**	23
120 – 180 days	**380**	–
	791	23

Movements in the allowance for doubtful debts

	As at 30 September 2014 (Unaudited)	As at 31 March 2014 (Audited)
	HK$'000	*HK$'000*
Balance at the beginning of the period/year	**9,469**	–
Impairment loss recognised on trade receivables	**–**	9,469
Written off of doubtful debts	**(9,469)**	–
Balance at the end of the period/year	**–**	9,469

(ii) Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contract or in accordance with the terms specified in the relevant contract.

(iii) Trade and other receivables are short term and hence the Directors consider the carrying amounts of trade and other receivables approximate their fair values at the end of the reporting periods.

(iv) It mainly consists of prepayment of insurance and advance payment to subcontractors.

(v) Amount due from a substantial shareholder represents amount due from a substantial shareholder, 中國新華新聞電視網有限公司 ("CNC China"), which is unsecured, interest-free and receivable on demand.

17. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	As at 30 September 2014 (Unaudited) *HK$'000*	As at 31 March 2014 (Audited) *HK$'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date plus recognised profits	**1,127,809**	923,860
Less: recognised losses	**–**	–
	1,127,809	923,860
Progress billings	**(1,078,879)**	(923,860)
	48,930	–
Analysed for reporting purposes as:		
Amounts due from customers for contract works *(note 16)*	**48,930**	–

18. TRADE AND OTHER PAYABLES

	As at 30 September 2014 (Unaudited) *HK$'000*	As at 31 March 2014 (Audited) *HK$'000*
Trade payables	**43,263**	36,401
Retention money payables	**10,981**	7,723
Amount due to a shareholder *(note (i))*	**16,612**	19,112
Amounts due to Directors *(note (ii))*	**2,758**	12,858
Deferred revenue	**1,889**	3,857
Interest payables	**14,751**	13,501
Amount due to a related party *(note (iii))*	**2,009**	2,009
Other payables and accruals	**11,996**	11,602
	104,259	107,063

Notes:

(i) Amount due to a shareholder represents amount due to a major shareholder, China Xinhua News Network Co., Limited ("China Xinhua NNC"), which is unsecured, interest-free and repayable on demand.

(ii) Amounts due to Directors are unsecured, interest-free and repayable on demand.

(iii) Amount due to a related party represents amount due to 新華音像中心. 新華音像中心 and China Xinhua NNC have a common shareholder, Xinhua News Agency（新華社）. The amount is unsecured, interest-free and repayable on demand.

The Group normally settles trade payables within 30 days credit term. Based on the invoice date, ageing analysis of trade payables at the end of the reporting period is as follows:

	As at 30 September 2014 (Unaudited)	As at 31 March 2014 (Audited)
	HK$'000	*HK$'000*
Current or less than 1 month	**38,532**	20,883
1 to 3 months	**4,438**	10,943
More than 3 months but less than 12 months	**124**	4,086
More than 12 months	**169**	489
	43,263	36,401

19. FINANCE LEASE PAYABLES

The Group leases a number of its motor vehicles and machineries. Such assets are classified as finance leases as the rental period approximates the estimated useful economic lives of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount. The lease terms ranged from one to three years.

At the end of the reporting period, the total future lease payments are due as follows:

	As at 30 September 2014		
	Minimum lease payments (Unaudited)	**Interest (Unaudited)**	**Present value (Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***
Not later than one year	**4,857**	**317**	**4,540**
Later than one year and not later than five years	**5,621**	**178**	**5,443**
	10,478	**495**	**9,983**

	As at 31 March 2014		
	Minimum lease payments (Audited)	Interest (Audited)	Present value (Audited)
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	3,572	227	3,345
Later than one year and not later than five years	4,186	149	4,037
	7,758	376	7,382

20. PROMISSORY NOTE

A promissory note (the "Promissory Note") with a principal amount of HK$45,040,000 was issued by Profit Station Limited ("Profit Station"), a direct wholly owned subsidiary of the Company on 11 August 2011 upon the completion of the acquisition of 17% equity interests in China New Media (HK) Company Limited. The Promissory Note is unsecured, carried interest at the rate of 3% per annum and will mature on 11 August 2014. Profit Station might early redeem all or part of the Promissory Note at any time from the date of issue. Unless previously redeemed, Profit Station will redeem the Promissory Note on its maturity date.

On 11 August 2014 (the 'Renewal Date"), Profit Station has entered into an extension agreement with the noteholder of the Promissory Note pursuant to which the maturity date of the Promissory Note was extended from 11 August 2014 to 11 August 2017 and the extended Promissory Note will be non-interest bearing with effect from 11 August 2014 till 11 August 2017. Furthermore, the noteholder has agreed to waive the interest accrued on the Promissory Note amounting to approximately HK$4,053,000 for the period from 11 August 2011 to 11 August 2014. Except the above-mentioned, other terms and conditions of the Promissory Note remains unchanged.

	As at 30 September 2014 (Unaudited) ***HK$'000***	As at 31 March 2014 (Audited) *HK$'000*
At the beginning of the reporting period/year	**44,609**	43,440
Interest charged at an effective interest rate of 5.744%	**917**	2,520
Interest payable	**(486)**	(1,351)
Gains arising on extension of Promissory Note	**(8,708)**	–
Interest charged at an effective interest rate of 7.423%	**377**	–
Balance at the end of the reporting period/year	**36,709**	44,609
Classified as:		
Current liabilities	**–**	44,609
Non-current liabilities	**36,709**	–
	36,709	44,609

Interest expenses on the Promissory Note are calculated using the effective interest method by applying effective interest rate of 5.744% from 1 April 2014 to 11 August 2014.

Upon the extension, the fair value of the liability component of the extended Promissory Note was reassessed and calculated using an equivalent market interest rate for an equivalent instrument at the Renewal Date. The fair value of the liability component of the extended Promissory Note at the Renewal Date amounted to approximately HK$36,332,000. The fair value is calculated using discounted cash flow method at a rate of 7.423%.

The fair value of the non-equity call option which was valued by Stirling Appraisals Limited, an independent professional valuer, using Black-Scholes option pricing model at the Renewal Date was assessed to be de minimis. The inputs into the model for the value of the non-equity call option were as follows:

Aggregate principal amount	HK$45,040,000
Aggregate redemption amount	HK$45,040,000
Expected option life	3 years
Risk-free rate	0.79%
Expected volatility	2.72%

The whole combined financial instrument, including liability component and non-equity call option was treated as a single compound embedded financial instrument. It was initially stated at fair value and was subsequently measured at amortised cost. The fair value of the extended Promissory Note at the Renewal Date amounted to approximately HK$36,332,000. Interest expenses on the extended Promissory Note are calculated using the effective interest method by applying effective interest rate of 7.423%.

21. CONVERTIBLE NOTES

On 9 December 2011, the Company issued convertible notes (the "Convertible Notes") with the principal amount of approximately HK$607,030,000, carried interest at the rate of 5% per annum as part of the consideration for the acquisition of Xinhua TV Asia-Pacific Operating Co., Limited ("Xinhua TV Asia-Pacific"). Each note entitles the holder to convert to ordinary shares at a conversion price of approximately HK$0.196 per Share.

Conversion may occur at any time between 9 December 2011 and 9 December 2014. If the notes have not been converted, the Company will redeem the outstanding principal amount on 9 December 2014. Interest of 5% per annum will be paid annually until the notes are converted or redeemed.

The Convertible Notes contain two components, liability and equity component. The equity component is presented in equity heading "convertible notes equity reserves". The effective interest rate of the liability component is 6.64%.

	As at 30 September 2014 (Unaudited) ***HK$'000***	As at 31 March 2014 (Audited) *HK$'000*
Equity component		
At the beginning of the reporting period/year	**15,663**	17,381
Conversion of Convertible Notes	**(7,731)**	(1,718)
Balance at the end of the reporting period/year	**7,932**	15,663
Liability component		
At the beginning of the reporting period/year	**543,234**	592,787
Interest charged calculated at an effective interest rate of 6.64%	**17,587**	39,278
Interest payable	**(4,818)**	(29,420)
Conversion of Convertible Notes	**(271,476)**	(59,411)
Balance at the end of the reporting period/year	**284,527**	543,234

22. SHARE CAPITAL

	Number of Shares	Nominal value
		HK$'000
Authorised:		
As at 1 April 2014 (Audited) and 30 September 2014 (Unaudited)	500,000,000,000	500,000
Issued and fully paid:		
As at 1 April 2014 (Audited)	1,980,858,112	1,980
Issue of Shares pursuant to the placing *(note (i))*	334,900,000	335
Issue of Shares pursuant to conversion of Convertible Notes *(note (ii))*	1,377,551,019	1,378
As at 30 September 2014 (Unaudited)	3,693,309,131	3,693

Notes:

(i) On 3 July 2014, the Company entered into a placing agreement with Gransing Securities Co., Limited pursuant to which the Company agreed to place a maximum of 334,900,000 new Shares to not less than six placees at a price of HK$0.25 per placing Share. The placing of new Shares was completed on 17 July 2014 and 334,900,000 new Shares were allotted and issued to the placees. The Company raised gross proceeds of approximately HK$83.7 million and the excess of the placing price over the nominal value of Shares was credited to share premium of the Company. Further details of the placing were set out in the announcements of the Company dated 3 July 2014, 4 July 2014 and 17 July 2014 respectively.

(ii) During the six months ended 30 September 2014, a total of 1,377,551,019 conversion Shares in respect of the Convertible Notes were allotted and issued with details as follow:

(a) On 26 May 2014, APT Satellite TV Development Limited, the holder of Convertible Note, exercised its conversion rights to convert the principal amount of HK$35,000,000 of the Convertible Notes into 178,571,429 Shares.

(b) On 18 July 2014 and 27 August 2014, a holder of Convertible Note exercised its conversion rights to convert the principal amount of HK$60,000,000 and HK$47,560,000 of the Convertible Notes into 306,122,448 Shares and 242,653,061 Shares respectively.

(c) On 27 August 2014, Proud Glory Investments Limited ("Proud Glory"), the holder of Convertible Note, exercised its conversion rights to convert the principal amount of HK$27,440,000 of the Convertible Notes into 140,000,000 Shares.

(d) On 26 May 2014 and 22 September 2014, China Xinhua NNC, the holder of Convertible Note, exercised its conversion rights to convert the principal amount of HK$20,000,000 and HK$80,000,000 of the Convertible Notes into 102,040,816 Shares and 408,163,265 Shares respectively.

The excess of the conversion price over the nominal value of Shares was credited to share premium of the Company.

23. OPERATING LEASE COMMITMENTS

The Group as leasee

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the period	**9,503**	7,218

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 30 September 2014	As at 31 March 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within one year	**18,702**	16,361
In the second to fifth years inclusive	**32,608**	33,548
Over five years	**7,208**	9,333
	58,518	59,242

Operating leases related to office property, Director's quarter, certain office equipment, television broadcasting right, the use of satellite capacity and broadcasting services with lease term between 1 to 10 years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

24. CAPITAL COMMITMENTS

	As at 30 September 2014	As at 31 March 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Commitments for the acquisition of property, plant and equipment	**–**	3,480

25. RELATED PARTY TRANSACTIONS

During the reporting period, the Group entered into the following related party transactions:

Related party relationship	Type of transaction	Transaction amount			
		Six months ended 30 September		Three months ended 30 September	
		2014	2013	**2014**	2013
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
A company that Mr. Chia Kar Hin, Eric John ("Mr. Chia"), an executive Director, had material interest	Service fee for announcement posting agreement	**5**	5	**3**	3
	Company secretarial fees paid	**32**	27	**17**	17
A company that Mr. Wong Chung Yip, Kenneth, an independent non-executive Director is a common director	Legal and professional fee paid	**35**	–	**35**	–
China Xinhua NNC	Annual fee for television broadcasting right *(note (i))*	**500**	500	**250**	250
	Advertising income *(note (ii))*	**–**	4,679	**–**	2,352
	Accrued interests on Convertible Notes *(note (iii))*	**6,945**	9,953	**2,245**	5,004
CNC China	Advertising income *(note (iv))*	**1,321**	608	**656**	608
A company that Xinhua News Agency had material interest	Production fee paid	**198**	–	**198**	–
A company that Dr. Lee Yuk Lun ("Dr. Lee") had material interests	Accrued interests on Convertible Notes *(note (iii))*	**–**	4,387	**–**	2,205
	Reversal of waiver of interests on Convertible Notes due to conversion of Convertible Notes *(note (v))*	**–**	–	**(1,683)**	–

Notes:

(i) Pursuant to the agreement signed between the Group and China Xinhua NNC on 5 September 2011, China Xinhua NNC granted the television broadcasting right to Xinhua TV Asia-Pacific for the period from 1 September 2011 to 31 August 2021 on an exclusive basis with an annual fee of HK$1,000,000 payable by Xinhua TV Asia-Pacific to China Xinhua NNC prior to 31 December 2016, and HK$3,000,000 payable by Xinhua TV Asia-Pacific to China Xinhua NNC with effect from 1 January 2017.

(ii) Pursuant to the advertisement broadcasting contract (the "Advertisement Broadcasting Contract") signed between the Group and China Xinhua NNC on 24 August 2012, China Xinhua NNC has agreed to pay the Group, in cash, 50% of any amount that CNC China receives as the economic entitlement of CNC China under the advertisement operation cooperation contract (the "Advertisement Operation Cooperation Contract") dated 23 May 2011 entered into between CNC China and AVIC Culture Co., Limited ("AVIC Culture") relating to the grant of the exclusive right by CNC China to AVIC Culture for the promotion and operation of 58% of the advertising resources of the China Xinhua News Network Channel and China Xinhua News Network World Channel (collectively the "CNC Channels"), which are developed and currently maintained by China Xinhua NNC ("Partial Advertisement Operation Right"), for the period from 25 May 2011 to 25 August 2016, being a guaranteed fixed fee of RMB90 million plus 40% of the part of advertising revenue derived from the Partial Advertisement Operation Right in excess of RMB90 million during the term of the Advertisement Operation Cooperation Contract. On 21 May 2014, AVIC Culture and CNC China have mutually agreed in writing to terminate the Advertisement Operation Cooperation Contract. As such, AVIC Culture will not settle the remaining amount of advertising fee due to CNC China which would then be paid to China Xinhua NNC and the Group. Accordingly, CNC China, China Xinhua NNC and the Group have mutually agreed to terminate the agreement concluded by CNC China and China Xinhua NNC and the Advertisement Broadcasting Contract concluded by the Group and China Xinhua NNC respectively on the same day. Details of the termination were set out in the announcement of the Company dated 28 May 2014.

(iii) During the six months ended 30 September 2014, the Convertible Notes interests payable to China Xinhua NNC was amounted to approximately HK$6,945,000 (six months ended 30 September 2013: approximately HK$9,953,000). During the six months ended 30 September 2014, the Group did not have any Convertible Notes interests payable to Proud Glory, a company that Dr. Lee had material interests (six months ended 30 September 2013: approximately HK$4,387,000).

(iv) On 22 July 2013, the Company and CNC China entered into the channel resources usage framework agreement (the "CRU Framework Agreement"), pursuant to which the Company will and will procure its subsidiaries to provide advertising resources on the television channels controlled by the Company to CNC China and its associates for the advertisement businesses of independent third party clients undertook by them. As consideration, CNC China will pay the Group certain percentage of the advertisement broadcasting fees (after deducting applicable PRC taxes) for using such advertising resources based on the terms and conditions of each agreement. The CRU Framework Agreement will have a term of 3 years ending on 31 March 2016.

(v) During the six months ended 30 September 2014, Proud Glory has fully exercised its conversion rights to convert the principal amount of HK$27,440,000 of the Convertible Notes into 140,000,000 Shares and the waiver of interests on Convertible Notes from 1 April 2014 to 30 June 2014 has been written back accordingly.

One of the Directors, who is also a shareholder of the Company, has provided personal guarantee to the lessor in respect of the Group's obligations under finance lease as at the end of the reporting period as disclosed in note 19.

A company which is wholly and beneficially owned by one of the Directors has provided corporate guarantee to the Group's bank borrowings as at the end of the reporting period.

The Directors considered that the above related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the Interim Financial Statements approximate to their fair values.

Fair value measurements recognised in the condensed consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 31 March 2014 (Audited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets				
Unlisted equity securities *(note)*	–	–	400	400
Financial assets at fair value through profit or loss	10,485	–	–	10,485

Note:

The unlisted equity securities were recognised at cost less impairment at the end of each reporting period.

As at 30 September 2014, the Group did not have any financial assets/liabilities which were required to be measured at fair value in the Interim Financial Statements.

27. COMPARATIVES

As further explained in note 2 to the Interim Financial Statements, due to the adoption of revised HKFRSs during the current period, the accounting treatment and presentation of certain items and balances in the Interim Financial Statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the provision of waterworks engineering services for the public sector in Hong Kong, television broadcasting business in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue and large outdoor display screen advertising business in PRC. During the six months ended 30 September 2014 (the "Period"), the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong and develop its television broadcasting business and large outdoor display screen advertising business.

Provision of waterworks and civil services

During the Period, the Group has been undertaking two main contracts and six subcontracts. Among the eight contracts, five are related to provision of waterworks engineering services and the remaining contracts are related to provision of drainage services. Details of the contracts undertaken are set out below:

	Contract number	**Particulars of contract**
Main contracts	8/WSD/11	Construction of Pak Shek Kok Fresh Water Service Reservoir Extension
	3/WSD/13	Mainlying near She Shan Tsuen, Tai Po
Subcontracts	18/WSD/08	Replacement and rehabilitation of water mains stage 3 – mains on Hong Kong Island South and outlying islands
	8/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1 – mains in Tuen Mun, Yuen Long, North District and Tai Po
	DC/2012/04	Sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang
	DC/2012/07	Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 1
	DC/2012/08	Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 2
	5/WSD/13	Replacement and rehabilitation of water mains, stage 4 phase 1 and stage 4 phase 2 – mains in northern and eastern New Territories

During the Period, the two contracts with contracts numbered 5/WSD/13 and DC/2012/07 were the main contributors to the Group's revenue, which generated approximately HK$84.7 million and approximately HK$28.8 million, constituting approximately 54.0% and approximately 18.4% of the Group's total revenue respectively.

Television broadcasting business

The Group's news coverage and television programmes place itself in a unique position among the television broadcasters worldwide. Currently, it is broadcasting the television programmes relating to information contents from Xinhua News Agency in Hong Kong, Macau, Thailand, New Zealand, Mongolia, Malaysia, Laos and Australia. The Group has developed a broadcasting network of television channels with relatively extensive scale. The Group maintained good relationship with those television service providers that are currently working with and in the meantime, actively sought for cooperation opportunities with strategic partners in order to give customers a unique viewing experience and expand in the worldwide coverage of the CNC Channels.

During the Period, the Company has granted the licence of television programme "Hong Kong, Hong Kong" to Asia Television Limited in respect of broadcasting "Hong Kong, Hong Kong" on its channels in Hong Kong and Central and South America from 30 June 2014 to 29 May 2015. Also, the television programme "ICAC" has currently been broadcasted through mainland television providers and internet television service providers with good response. With the great success of television programmes "Hong Kong, Hong Kong" and "ICAC", the Company is producing a documentary television feature programme "Macau, Macau" for the purpose of marking the 15th anniversary of the transfer of sovereignty over Macau to the PRC. The production of the television feature programme is expected to be completed at the end of year 2014. The Company is in the negotiations with advertising agents, television services providers and internet television service providers regarding the broadcast of "Macau, Macau". In the future, the Group will continue to produce information contents according to different social themes.

Large outdoor display screen advertisement business

Over the past years, the Group took initiatives to tap into the PRC market by developing the large outdoor display screen advertisement business. During the year ended 31 March 2014, the Group has constructed and installed LED displays in Sichuan Chengdu, Jiangsu Xuyi and Jiangsu Kunshan and set up the networked LED control platform in which the LED displays can be managed and connected through a centralized network. To further expand this business segment, during the Period, the Group has entered into a cooperation agreement with an independent party to form a joint operation arrangement in respect of construction and operation of LED display in Yangzhou jointly. The construction of LED display in Yangzhou has been completed and the LED display has started its operation during the Period. This joint operation mode allows the Group to share both construction and operation costs with each other and at the same time enjoy the advertising revenue derived from the joint operation. As a result, the Group can increase the effectiveness on cost-saving and obtain higher profit growth. In addition to the joint operation agreement, the Group has entered into an advertising agreement with an advertising agent pursuant to which the Group grants the right to the advertising agent for operating certain portion of the advertising air time of the LED display in Yangzhou in return for a fixed amount of advertising revenue. The Directors consider that it is a more effective way to boost the Group's advertising income.

Despite the challenging business environment, the Group has actively seized business opportunities and sought for expansion of business during the adversities. Going forward, the Group will continue to negotiate with potential customers, including but not limited to commercial real estate developers, PRC government authorities and other potential partners for cooperation in order to balance the risk and return of this competitive segment.

Aimed at maximising profit and return for the Group and the shareholders of the Company, the Group is exploring new business opportunity to broaden its source of income and expand the business operations.

Financial Review

Revenue

For the Period, the Group reported a revenue of approximately HK$156.8 million (2013: approximately HK$145.5 million), representing an increase of approximately 7.8% as compared with that for the same period of the previous year. The revenue derived from provision of waterworks engineering services and television broadcasting business as well as large outdoor display screen advertisement business constituted approximately 97.5% and approximately 2.5% of the Group's total revenue respectively. The increase in revenue was mainly due to increase in works from replacement and rehabilitation of water mains, stage 4 phase 1 and stage 4 phase 2 – mains in northern and eastern New Territories. The Group derived aggregate advertising revenue of approximately HK$3.9 million (2013: approximately HK$5.3 million) from television broadcasting business and large outdoor display screen advertisement business.

During the Period, the revenue of the Group was primarily generated from the undertaking of waterworks contracts in the capacity of a subcontractor. The subcontracting revenue amounted to approximately HK$106.2 million (2013: approximately HK$125.9 million), representing approximately 67.7% of the total revenue for the Period (2013: approximately 86.5%). On the other hand, the aggregate revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor and jointly controlled operator amounted to approximately HK$46.7 million (2013: approximately HK$14.2 million), representing approximately 29.8% (2013: approximately 9.8%) of the total revenue for the Period.

Cost of services

The Group's cost of services increased by approximately 11.0% to approximately HK$149.8 million for Period (2013: approximately HK$134.9 million) as compared with that for the same period of the previous year. The Group's cost of services mainly includes costs of construction services, costs of television broadcasting business and direct costs attributable to large outdoor display screen advertisement business. Costs of construction services mainly comprise raw materials, direct labour and subcontracting fee for services provided by the subcontractors. Costs of television broadcasting business mainly comprise transmission costs and broadcasting fee. Transmission costs comprise satellite transmission fee and carriage fee payable to satellite operators while broadcasting fee comprises annual fee payable to media broadcasting providers and China Xinhua NNC. Direct costs attributable to large outdoor display screen advertisement business mainly comprise depreciation charges of LED display screens and control room.

Gross profit

The gross profit of the Group for the Period decreased by approximately 33.3% to approximately HK$7.0 million (2013: approximately HK$10.6 million) as compared with that for the same period of the previous year. The gross profit margin of the Group decreased to approximately 4.5% for the Period (2013: approximately 7.3%). The decrease in gross profit and gross profit margin was largely due to large portion of revenue and gross margin derived from certain waterworks engineering projects recognised at the early stage in the prior years.

Other income

The Group's other income for the Period amounted to approximately HK$4.1 million (2013: approximately HK$15,000). The increase in other income was mainly due to the waiver of Promissory Note interests from a noteholder during the Period.

Other gains and losses

The Group's other gains and losses for the Period decreased by approximately 47.9% to approximately HK$9.8 million (2013: approximately HK$18.7 million) as compared with that for the same period of the previous year. The decrease in other gains and losses was mainly due to the decrease in net fair value changes on financial assets at fair value through profit or loss recognised during the Period.

Amortisation expenses

The Group's amortisation expenses for the Period decreased by approximately 61.2% to approximately HK$11.3 million (2013: approximately HK$29.2 million) as compared with that for the same period of the previous year. The amortisation expenses mainly consisted of amortisation charges of television broadcasting right and film rights for the television broadcasting business. The decrease in amortisation expenses was mainly due to the impairment loss of television broadcasting right recognised for the year ended 31 March 2014 and thus caused a significant reduction in carrying amount of television broadcasting right.

Administrative expenses

The Group's administrative expenses for the Period increased by approximately 10.1% to approximately HK$16.5 million (2013: approximately HK$15.0 million) as compared with that for the same period of the previous year. The administrative expenses mainly consisted of legal and professional fees, staff costs (including Directors' remuneration), depreciation expenses and rental expenses.

Finance costs

The Group's finance costs for the Period decreased by approximately 10.2% to approximately HK$19.2 million (2013: approximately HK$21.3 million) as compared with that for the same period of the previous year. The finance costs mainly consisted of interest expenses for the Promissory Note and Convertible Notes. The decrease in finance costs was mainly due to decrease in interest expenses of Convertible Notes which was resulted from the exercise of conversion rights of Convertible Notes by certain Convertible Note holders.

Net Loss

The net loss attributable to owners of the Company for the Period decreased by approximately 27.5% to approximately HK$24.6 million (2013: approximately HK$33.9 million) as compared with that for the same period of the previous year. The decrease in net loss was mainly resulted from decrease in amortisation expenses for the Period.

Loss per Share

The basic loss per Share was approximately HK0.97 cent (2013: approximately HK2.03 cents).

Prospects

During the Period, the respective established brandnames of the Group are given full play in our vigorously developed three main businesses, namely provision of waterworks engineering services, television broadcasting business and large outdoor display screen advertisement business. The Group has committed to study and accurately grasp the market trends. In addition to television and LED platforms, the Group has been growing its advertising base through mobile and other platforms and diversified its business to video broadcasting business in the Greater China region while the provision of waterworks engineering services will continue to contribute stable revenue to the Group. In order to continue expanding our network in a manner that is attractive to potential advertising clients, the Group has to continue to enter into new advertising media platforms and establish additional networks that provide effective channels for advertisers. The Directors are optimistic towards its core businesses and will seize the business opportunities to achieve long-term sustainable growth for the benefits of the Group and its shareholders as a whole.

Provision of waterworks and engineering services

The Group's waterworks engineering services remains the major source of revenue of the Group. The performance of the Group's waterworks engineering business was comparable with that for the previous year. In the coming years, it is believed that the replacement and rehabilitation programme of water mains (the "R&R Programme") launched by Water Supplies Department of the Hong Kong government ("WSD") will continue to open up numerous waterworks opportunities to the Group. According to WSD, Stage 4 Phase 1 of the R&R Programme had commenced in March 2011 and will be completed in 2015. About 500 kilometres of water mains will be replaced and rehabilitated at this stage. Stage 4 Phase 2 of the R&R Programme had commenced in January 2012 and will be completed in 2015. About 350 kilometres of water mains will be replaced and rehabilitated at this stage.

Despite the economy of Hong Kong and intensity competition in this industry combining with tight larbor market, increase in rent, staff cost and cost of raw materials, the outlook for the construction industry in Hong Kong remains optimistic. Nevertheless, the Group has still achieved profitable segment result. Not only will the R&R Programme launched by WSD continue to open up numerous waterworks opportunities to the Group, the infrastructure and development projects being currently implemented or to be implemented by the Government of Hong Kong, roads and drainage works and site formation works will also create tremendous business opportunities to the Group in the future. We believe that the Group is able to take up more contracts and capture more potential business opportunities.

Going forward, the Group will continue to improve its quality of service and enhance management capabilities and competitiveness to bid for more rewarding contracts in Hong Kong and to further scale up the Group's business. The Group will continue to seek improvement in cost-savings, Group's efficiency and profitability and identify opportunities for joint ventures or strategic alliances in a bid to drive its strategy of vertical as well as horizontal expansion.

Television broadcasting business

Television broadcasting business is now operating in a highly competitive and rapidly changing environment although the Group is positioned to capture the opportunities with relatively low initial entry barrier by drawing on the brand name of and backup from Xinhua News Agency. Also, the rapid growth of the media technologies has posed great challenges to the traditional television broadcasting business. In view of the significant loss incurred in this segment for the year ended 31 March 2014, the immediate task of the Group is to achieve a turnaround in its profitability of this business segment. In face of the difficult operation environment, the Group will offer different valuable services continuously in response to market needs. With an aim to explore development opportunities and increase coverage of CNC Channels, the Group continued to strengthen and rejuvenate its marketing and sales team internally. Also, the Group will continue to produce information contents according to different social themes. Apart from continuing to serve viewers' needs for quality and informative programmes, such as Hong Kong Voice Express, the Group is actively developing new contents, including the production of crowd pleasing materials that cater to the tastes of the main stream audience.

Large outdoor display screen advertisement business

Upon completion of construction and installation of LED displays in Sichuan Chengdu, Jiangsu Xuyi, Jiangsu Kunshan and Yangzhou, the Group aims at constructing more LED displays in other PRC cities, such as Nanjing and preliminary site reconnaissance work has been completed. With the view of fierce industry competition, the Group will continue to adopt the strategy of forming joint operation arrangement with potential partners in respect of construction and operation of LED displays. Meanwhile, the Group will look for new business opportunities from time to time, including but not limited to negotiating with potential commercial real estate developers, PRC government authorities and other potential partners to strengthen its market position and boost up the development of this business segment.

Video broadcasting business

Due to the rapid growth of media technology, the Group has been pursuing a strategy designed to develop its media business and thereby generate further business growth. On 27 December 2013, the Group entered into a licence agreement (the "Licence Agreement") with The Associated Press (the "AP"), pursuant to which the Group and AP will work together to create and launch a Greater China market video service for the mobile platforms of three China national telecommunication operators. The Group, in close working consultation with AP, would license selected Sports News Television sports news video, AP technology news video, AP horizons video and AP archive video, and distribute such videos via the video platforms of the telecommunication operators to the mobile phone users in the PRC, Hong Kong and Macau. Such videos cover selected matches from NBA, NHL, PGA, soccer, tennis, etc. During the Period, the management team of the Group has been invited by AP in New York to hold discussions on mobile project opportunities in the PRC.

In order to develop this business segment and tape into the Greater China market, the Group has currently conducted studies on the business structure, including but not limited to the income stream, marketing strategy and other costs incurred. Added to this, the Group is currently negotiating with mobile video service providers in the PRC so as to qualify as a cooperation partner and content provider of these mobile video service providers. In such case, the Group would broadcast locally produced programmes, video contents broadcasted in and extracted from the CNC Channels and videos that the Group has licence to broadcast, either with charges or free of charge, via the mobile video service providers. The Directors believed that it is another key source of income in the future.

Despite the ever-changing economic environment, the Group continues to maximize its profit by utilizing existing resources efficiently and maximizing synergic effects between business segments. The Group will continue to strive for diversifying its business, strengthening the development of existing business, reinforcing internal controls and implementing stringent control over the costs in order to achieve stable profit growth of the Group and in turn, maximise the shareholders' returns. The diversification strategy of the Group has the potential to lead the Group to a new horizon. It is believed that the business layout will enable the Group to utilize its core competitive edges, thus providing continuous growth potential for the Group and broadening the revenue sources of the Group.

Capital Structure

The Shares were listed on GEM of the Stock Exchange on 30 August 2010. The capital of the Group comprises only ordinary shares.

On 3 July 2014, the Company entered into a placing agreement with Gransing Securities Co., Limited to place an aggregate of 334,900,000 Shares to not less than six placees at a price of HK$0.25 per placing Share. The placing was completed on 17 July 2014 and raised gross proceeds of approximately HK$83.7 million. The proceeds from the placing was used to finance the Group's development, payment of registered capital of a subsidiary incorporated in the PRC, repayment of unsecured and non-interest bearing advances from certain Directors and general working capital of the Company.

Total equity attributable to equity holders of the Company amounted to approximately HK$79.4 million in deficit as at 30 September 2014 (31 March 2014: approximately HK$407.9 million). The decrease in deficit was mainly resulted from fund raising activities from placing and conversion of Convertible Notes from noteholders.

Liquidity and Financial Resources

During the Period, the Group generally financed its operations through internally generated cash flows and net proceeds from placing exercise.

As at 30 September 2014, the Group had net current liabilities of approximately HK$206.5 million (31 March 2014: approximately HK$583.1 million), including cash balance of approximately HK$44.8 million (31 March 2014: approximately HK$20.6 million) and bank deposits of approximately HK$20.0 million (31 March 2014: Nil). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.49 as at 30 September 2014 (31 March 2014: approximately 0.18). The decrease in net current liabilities and increase in current ratio were primarily due to fund raising activities from placing, conversion of Convertible Notes from noteholders and the extension of the Promissory Note.

Gearing Ratio

The gearing ratio, which is based on the amount of total borrowing and Promissory Note and Convertible Notes and finance lease payables and advance received from customers divided by total assets, was approximately 84.3% as at 30 September 2014 (31 March 2014: approximately 178.8%). The decrease in gearing ratio was resulted from the decrease in total liabilities due to exercise of conversion rights of Convertible Notes by certain noteholders and increase in total assets.

Foreign Exchange Exposure

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity. During the Period, the Group was mainly exposed to foreign currency exchange risk of United States Dollars and Renminbi and the management mainly monitored the foreign currency exchange risk with advices from the Group's major banks.

Capital Commitment

As at 30 September 2014, the Group did not have any outstanding commitment (31 March 2014: approximately HK$3.5 million) in respect of acquisition of property, plant and equipment. Save as aforesaid, the Group did not have any significant capital commitments.

Charges on the Group's Assets

The Group's machineries and motor vehicles with net book value as at 30 September 2014 amounted to approximately HK$1.1 million (31 March 2014: approximately HK$1.4 million) and approximately HK$11.4 million (31 March 2014: approximately HK$8.6 million) was held under finance lease. As at 30 September 2014, the Group pledged its motor vehicles with net book value of approximately HK$1.2 million (31 March 2014: machineries and motor vehicles with net book values of approximately HK$78,000 and approximately HK$1.8 million respectively) as securities for its performance of obligation as a sub-contractor of the Replacement and Rehabilitation of water mains, stage 4, phrase 1 – Mains in Tuen Mun, Yuen Long, North District and Tai Po.

Contingent Liabilities

As at 30 September 2014, the Group did not have any material contingent liabilities (31 March 2014: Nil).

Dividends

The Board does not recommend the payment of any dividend for the Period.

Information on Employees

As at 30 September 2014, the Group had 288 full-time employees in Hong Kong and over 90% of them are direct labour. Total staff costs (including Directors' remuneration) for the Period amounted to approximately HK$39.7 million (2013: approximately HK$31.7 million), representing an increase of approximately 25.3% over that for the previous year. The increase was mainly due to the increase in the number of staff to support the expansion of the Group's business.

Remuneration is determined with reference to the nature of job, performance, qualifications and experience of individual employees, as well as the result of the Group and the market trend. The Group carries out staff performance appraisal once a year and the assessment result is used for salary reviews and promotion decisions. The Group recognises the importance of staff training and thus regularly provides internal and external training for its staff to enhance their skills and knowledge.

Significant Investment Held

During the Period, the Group has disposed of 17% equity interest in the share capital of China New Media (HK) Company Limited to an independent third party at a consideration of HK$400,000.

Except for investment in subsidiaries and the investment as disclosed above, during the Period and as at the end of the reporting period, the Group did not hold any significant investment in equity interest in any company.

Future Plans for Material Investments and Capital Assets

As at 30 September 2014, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Share Option Scheme

The share option scheme of the Company was adopted and approved by the shareholders of the Company on 11 August 2010. No share options have been granted pursuant to the share option scheme during the Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in the Shares:

Name	Capacity/Nature of interest	Number of Shares held	Percentage of aggregate interests to total issued share capital
Dr. Lee *(Note a)*	Interest in controlled corporation	140,000,000	3.79%
Mr. Kan Kwok Cheung ("Mr. Kan") *(Note b)*	Interest in controlled corporation	220,590,000	5.97%
Mr. Chia	Beneficial owner	5,500,000	0.15%

Notes:

(a) Dr. Lee is the sole beneficial owner of Proud Glory, which was interested in 140,000,000 Shares. Under the SFO, Dr. Lee is deemed to be interested in all the Shares held by Proud Glory.

(b) Mr. Kan is the sole beneficial owner of Shunleetat (BVI) Limited ("Shunleetat"), which was interested in 220,590,000 Shares. Under the SFO, Mr. Kan is deemed to be interested in all the Shares held by Shunleetat.

Saved as disclosed above, as at 30 September 2014, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to the Directors, as at 30 September 2014, the following persons/entities (other than the Directors or chief executive of the Company) had, or are deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who/which were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO with details as follows:

Long position in the Shares:

	Number of Shares held			Number of underlying Shares under Convertible Notes *(Note a)*			
Name	Beneficial owner	Interest in controlled corporation	Spouse interest	Beneficial owner	Interest in controlled corporation	Total interests	Percentage of aggregate interests to total issued share capital
China Xinhua NNC	1,086,580,561 *(Note b)*	–	–	1,413,419,439 *(Note b)*	–	2,500,000,000	67.69%
CNC China	–	1,086,580,561 *(Note b)*	–	–	1,413,419,439 *(Note b)*	2,500,000,000	67.69%
Ms. Lam Shun Kiu, Rosita	–	–	220,590,000 *(Note c)*	–	–	220,590,000	5.97%
Shunleetat	220,590,000 *(Note c)*	–	–	–	–	220,590,000	5.97%
Murtsa Capital Management Limited	360,517,141 *(Note d)*	–	–	–	–	360,517,141	9.76%
HEC Development Limited	–	360,517,141 *(Note d)*	–	–	–	360,517,141	9.76%
HEC Capital Limited	–	360,517,141 *(Note d)*	–	–	–	360,517,141	9.76%

Notes:

(a) Details of the Convertible Notes were set out in the circular of the Company dated 19 November 2011.

(b) China Xinhua NNC is wholly and beneficially owned by CNC China. Accordingly, CNC China is deemed to be interested in the 1,086,580,561 Shares and 1,413,419,439 underlying Shares held by China Xinhua NNC under the SFO.

(c) Shunleetat is wholly and beneficially owned by Mr. Kan. Accordingly, Mr. Kan is deemed to be interested in the 220,590,000 Shares held by Shunleetat under the SFO. Ms. Lam Shun Kiu, Rosita is the spouse of Mr. Kan and is deemed to be interested in 220,590,000 Shares held by Shunleetat under the SFO.

(d) HEC Development Limited and HEC Capital Limited are controlling shareholders, either directly or indirectly, of Murtsa Capital Management Limited. Accordingly, HEC Development Limited and HEC Capital Limited are deemed to be interested in the 360,517,141 Shares held by Murtsa Capital Management Limited under the SFO.

Saved as disclosed above, as at 30 September 2014, the Directors were not aware of any other person/entity (other than the Directors or chief executive as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations" above) who/which had, or is deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who/which were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, none of the Directors and their respective associates including spouses and children under 18 years of age was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right during the Period.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares.

CONNECTED TRANSACTIONS

During the Period, the Group entered into following continuing connected transactions:

Television Broadcasting Right Agreement

On 5 September 2011, Xinhua TV Asia-Pacific entered into a television broadcasting right agreement (the "Television Broadcasting Right Agreement") with China Xinhua NNC, pursuant to which China Xinhua NNC granted the television broadcasting right in respect of broadcasting information contents from Xinhua News Agency under the CNC Channels on television channels in the Asia-Pacific region (excluding the PRC) to the Group for an annual fee of HK$1.0 million prior to 31 December 2016 and HK$3.0 million with effective from 1 January 2017. The Television Broadcasting Right Agreement has a term of 120 months from 1 September 2011 to 31 August 2021. Since China Xinhua NNC is a substantial shareholder of the Company, and therefore a connected person of the Company within the meaning of the GEM Listing Rules, the transactions contemplated under the Television Broadcasting Right Agreement constitute continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

Advertisement Broadcasting Contract

On 23 May 2011, CNC China and AVIC Culture entered into the Advertisement Operation Cooperation Contract, pursuant to which CNC China granted the Partial Advertisement Operation Right to AVIC Culture for the period from 25 May 2011 to 25 August 2016. As consideration, CNC China is entitled to the Payment under the Partial Advertisement Operation Right.

On 24 August 2012, CNC China and China Xinhua NNC entered into an agreement (the "CNC Agreement"), pursuant to which CNC China will pay any amount that CNC China receives from AVIC Culture as the Payment under the Partial Advertisement Operation Right (on an after-tax basis and after deducting any reasonable fees) to China Xinhua NNC to reflect the fact that the commercial advertisements operated by AVIC Culture under the Partial Advertisement Operation Right will eventually be broadcasted through the television broadcasting network developed and maintained by China Xinhua NNC.

To support the operation of the Company, on 24 August 2012, China Xinhua NNC entered into the Advertisement Broadcasting Contract with Xinhua TV Asia-Pacific in respect of the advertising airtime allocated to China Xinhua NNC exclusively for the commercial advertisements operated by AVIC Culture. Pursuant to the Advertisement Broadcasting Contract, China Xinhua NNC has agreed to pay Xinhua TV Asia-Pacific, in cash, 50% of any amount that CNC China received as the Payment under the Partial Advertisement Operation Right (on an after-tax basis and after deducting any reasonable fees).

Since China Xinhua NNC is a substantial shareholder and a connected person of the Company within the meaning of the GEM Listing Rules, the transactions contemplated under the Advertisement Broadcasting Contract constitute continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

On 21 May 2014, AVIC Culture and CNC China have mutually agreed in writing to terminate the Advertisement Operation Cooperation Contract (the "AVIC Termination"). As such, AVIC Culture will not settle the remaining amount of advertising fee due to CNC China which would then be paid to China Xinhua NNC and the Group due to the termination of the initial public offering application of AVIC Culture as announced by China Securities Regulatory Commission in April 2014. Accordingly, CNC China, China Xinhua NNC and the Group have mutually agreed to terminate the CNC Agreement and the Advertisement Broadcasting Contract (collectively the "CNC Terminations") on the same day. The Board confirms that none of AVIC Culture, CNC China, China Xinhua NNC and the Group has to pay the other party any penalty and/or compensation as a result of the AVIC Termination and the CNC Terminations and none of CNC China, China Xinhua NNC and the Group has to return any of the instalment payment previously received as part of the Payment under the Partial Advertisement Operation Right.

As a result of the AVIC Termination and the CNC Terminations, the outstanding accounts receivable due from China Xinhua NNC in respect of advertisement operation cooperation with AVIC Culture of approximately HK$9.4 million was assessed to be irrecoverable. In view of this, the Company has written off the aforesaid accounts receivable of approximately HK$9.4 million for which the Company has made a full provision as at 31 March 2014. In addition, the Group will reduce both the revenue from China Xinhua NNC in respect of the advertisement operation cooperation with AVIC Culture and the profit of the Group for an estimated amount of approximately HK$9.3 million per year in the subsequent years from 1 April 2014 till 25 August 2016. Apart from the above-mentioned financial impact, the AVIC Termination and the CNC Terminations will not cause any material adverse impact on the existing business or operation of the Group.

CRU Framework Agreement

On 19 December 2012, CNC China and the Ministry of Commerce of the PRC ("MOFCOM") Department of Foreign Investment Administration（商務部外國投資管理司）entered into an advertisement broadcasting agreement (the "MOFCOM Advertisement Broadcasting Agreement") in relation to the provision of advertising resources of the television channels controlled by CNC China to broadcast advertisements of the MOFCOM Department of Foreign Investment Administration.

On 25 December 2012, Sichuan Branch of Xinhua News Agency and Yibin Wuliangye Liquor Sales Co., Ltd entered into an advertisement broadcasting agreement (the "Wuliangye Advertisement Broadcasting Agreement") in relation to the provision of advertising resources of the television channels controlled by CNC China to broadcast advertisements of Yibin Wuliangye Liquor Sales Co., Ltd. On 22 July 2013, CNC China and Sichuan Branch of Xinhua News Agency entered into an advertisement broadcasting authorisation agreement (the "Wuliangye Advertisement Broadcasting Authorisation Agreement") in relation to the provision of advertising resources of the television channels controlled by CNC China to broadcast advertisements of Yibin Wuliangye Liquor Sales Co., Ltd.

To support the operation of the Company, on 22 July 2014, the Company and CNC China entered into the CRU Framework Agreement, pursuant to which the Company will and will procure its subsidiaries to provide advertising resources on the television channels controlled by the Company to CNC China and its associates for the advertisement businesses of independent third party clients undertook by them. As consideration, CNC China and its associates will pay advertisement broadcasting fees to the Company and its subsidiaries. The CRU Framework Agreement will have a term of 3 years ending on 31 March 2016.

In order to implement the CRU Framework Agreement, on 22 July 2013, Xinhua TV Asia-Pacific entered into a channel resources usage agreement (the "MOFCOM CRU Agreement") with CNC China, pursuant to which Xinhua TV Asia-Pacific agreed to provide advertising resources on its television channels for broadcasting advertisements of the MOFCOM Department of Foreign Investment Administration. On the same day, Xinhua TV Asia-Pacific entered into a channel resources usage agreement (the "Wuliangye CRU Agreement") with CNC China pursuant to which Xinhua TV Asia-Pacific agreed to provide advertising resources on its television channels for broadcasting advertisements of Yibin Wuliangye Liquor Sales Co., Ltd. Both MOFCOM CRU Agreement and Wuliangye CRU Agreement became effective on 22 July 2013 and will end on 31 March 2016.

As consideration for using such advertising resources, CNC China will pay the Group 50% of the advertisement broadcasting fees (after deducting applicable PRC taxes) it receives from the MOFCOM Department of Foreign Investment Administration under the MOFCOM Advertisement Broadcasting Agreement (including those received before the effectiveness of the MOFCOM CRU Agreement); and 50% of the advertisement broadcasting fees (after deducting applicable PRC taxes) it receives from Sichuan Branch of Xinhua News Agency under the Wuliangye Advertisement Broadcasting Authorisation Agreement (including those received before the effectiveness of the Wuliangye CRU Agreement). Such advertisement broadcasting fees that CNC China are entitled to equal to 30% of the advertisement broadcasting fees that Sichuan Branch of Xinhua News Agency receives from Yibin Wuliangye Liquor Sales Co., Ltd. under the Wuliangye Advertisement Broadcasting Agreement (including those received before the effectiveness of the Wuliangye Advertisement Broadcasting Authorisation Agreement).

Since CNC China is a substantial shareholder and a connected person of the Company within the meaning of the GEM Listing Rules, the transactions contemplated under the CRU Framework Agreement constitute continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

Announcement Posting Agreement

On 11 June 2014 and 30 June 2013, the Company entered into agreements (the "Announcement Posting Agreements") with Hong Kong Listco Limited ("HKLC") pursuant to which HKLC will provide the Company with the service of dissemination of announcements including hosting and posting of announcements, press releases or other documents as required by the GEM Listing Rules on the website(s) of the Group at a monthly service fee of HK$750 for a term of one year commencing from 1 July 2014 and 1 July 2013 respectively. HKLC is a company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Chia. The Company considers it more cost effective to engage a professional firm to take up this announcement posting obligation after listing.

GEM Listing Rules Implications

Pursuant to Rule 20.41 of the GEM Listing Rules, the transactions contemplated under the Television Broadcasting Right Agreement are subject to the applicable reporting, annual review and disclosure requirements under Chapter 20 of the GEM Listing Rules. The Company will comply with the applicable reporting, disclosure and independent shareholders' approval requirements, as the case may be, under Chapter 20 of the GEM Listing Rules upon any variation or renewal of the Television Broadcasting Right Agreement.

Also pursuant to Rule 20.41 of the GEM Listing Rules, the transactions contemplated under the Advertisement Broadcasting Contract are subject to the applicable reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules because the highest applicable percentage ratio of the annual caps, calculated on an annual basis, is more than 0.1% but less than 5%. The Company will comply with the applicable reporting, disclosure and independent shareholders' approval requirements, as the case may be, under Chapter 20 of the GEM Listing Rules upon any variation or renewal of the Advertisement Broadcasting Contract.

Also pursuant to Rule 20.41 of the GEM Listing Rules, the transactions contemplated under the CRU Framework Agreement are subject to the applicable reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules because the highest applicable percentage ratio of the annual caps (including the proposed annual caps of the transactions under Advertisement Broadcasting Contract as mentioned above), calculated on an annual basis, is more than 0.1% but less than 5%. The Company will comply with the applicable reporting, disclosure and independent shareholders' approval requirements, as the case may be, under Chapter 20 of the GEM Listing Rules upon any variation or renewal of the CRU Framework Agreement.

As the annual service fee payable under the Announcement Posting Agreements referred to above are both less than HK$1.0 million and none of the percentage ratios, on an annual basis, equals or exceeds 5%, and the Announcement Posting Agreements were entered into in the ordinary and usual course of business of the Group, the transactions under the aforesaid agreements are exempt continuing connected transactions of the Company pursuant to Rule 20.33(3)(c) of the GEM Listing Rules, which are exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed above, none of the Directors, controlling shareholders and their respective associates has any other conflict of interests with the Group during the Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the Period under review. The Company was not aware of any non-compliance in this respect during the Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and enhance the performance of the Group. The Company has applied the principles and code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code during the Period, except paragraph A.6.7 of the Code. This announcement further illustrates in detail as to how the Code was applied, inclusive of the considered reasons for any deviation throughout the Period.

Paragraph A.6.7 of the Code requires that independent non-executive directors and non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. The then executive Director, namely Mr. Wu Jin Cai, two executive Directors, namely Dr. Lee Yuk Lun and Mr. Kan Kwok Cheung, a non-executive Director, namely Mr. Li Yong Sheng, the then non-executive Director, namely Ms. Liang Hui and two independent non-executive Directors, namely Mr. Jin Hai Tao and Mr. Chu Siu Lun, Ivan did not attend the annual general meeting of the Company held on 31 July 2014 due to overseas commitment and pre-arranged business engagements. Other Board members, the chairmen of the relevant Board committees and the external auditor of the Company also attended the annual general meeting to inter-face with, and answer questions from the shareholders of the Company.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 11 August 2010 with terms of reference in compliance with paragraph C.3.3 of the Code. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the financial statements and the quarterly, interim and annual reports of the Group, and reviewing the terms of engagement and scope of audit work of the external auditors.

The Audit Committee consisted of five members, four of them are independent non-executive Directors and one of them is non-executive Director. As at 30 September 2014, the members of the Audit Committee were Mr. Wong Chung Yip, Kenneth, Mr. Li Yong Sheng, Mr. Jin Hai Tao, Mr. Hau Chi Kit, and Mr. Chu Siu Lun, Ivan. Mr. Wong Chung Yip, Kenneth was the chairman of the Audit Committee.

The Audit Committee had reviewed the unaudited condensed consolidated results of the Group for the Period and is of the opinion that the preparation of such results complied with the applicable accounting standards and that adequate disclosures have been made.

By Order of the Board
CNC Holdings Limited
Zhang Hao
Chairman and Executive Director

Hong Kong, 27 October 2014

As at the date of this Announcement, the Board comprises the following Directors:

Executive Directors:
Mr. Zhang Hao
Mr. Zou Chen Dong
Dr. Lee Yuk Lun
Mr. Kan Kwok Cheung
Mr. Chia Kar Hin, Eric John

Non-executive Director:
Mr. Li Yong Sheng

Independent non-executive Directors:
Mr. Jin Hai Tao
Mr. Wong Chung Yip, Kenneth
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan

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